

Written evidence submitted by Better Child Coalition

Better Childcare Coalition response to Education Select Committee inquiry into the impact of COVID-19

About the coalition

The Coalition for Better Childcare brings together organisations to campaign for urgent support and reforms to the UK's childcare sector. Accessible and effective childcare plays a crucial role in supporting the economy, children's development and enabling parents / guardians to work.

Prior to the pandemic, the childcare sector was in crisis with a £660million deficit in funding¹ and 17% of providers in England's poorest areas were facing closure². Whilst the pandemic has highlighted how central childcare is to both families and the country's economy, the government has failed to provide adequate support to both the sector and families.

Without sufficient government funding during this crisis, as many as 25% of childcare providers believe they will close within a year³, leading to a loss of 150,000 childcare places in England alone⁴. As the country looks to recover, it is critical the government addresses the recommendations in this submission to ensure that the childcare sector is prioritised as the crucial part of the UK's infrastructure it so clearly is.

This submission was developed with:

New Economics Foundation works to transform the economy so it works for people and the planet. We work with people igniting change from below and combine this with rigorous research to fight for change at the top. www.neweconomics.org

Pregnant Then Screwed seeks to protect, support and promote the rights of pregnant women and mothers by carrying out research and providing support services.

www.pregnantthenscrewed.com

UK Women's Budget Group is an independent network of academics, policymakers and activists who analyse the gendered impact of economic policy on different groups of women and men and promote alternatives for a gender equal future. www.wbg.org.uk

Working Families is the UK's work-life balance charity. We help working parents and carers—and their employers—find a better balance between responsibilities at home and in the workplace. www.workingfamilies.org.uk

Coram Family and Childcare works to make the UK a better place for families by bringing together what we learn from our on the ground parent-led programmes and our research to campaign for solutions that parents want and need. We focus on childcare and early years to make a difference to families' lives now and in the long term.

www.familyandchildcaretrust.org

The Trades Union Congress (TUC) is the voice of Britain at work. We represent more than 5.5 million working people in 48 unions across the economy. We campaign for more and better jobs and a better working life for everyone, and we support trade unions to grow and thrive. Trade unions negotiate enhanced workplace policies that support parents to manage

¹<https://www.ceeda.co.uk/news/2019/early-years-sector-faces-662-million-funding-deficit-in-20192020/>

²Nursery World (2020) Nurseries in poor areas facing closure

<https://www.nurseryworld.co.uk/news/article/nurseries-in-poor-areas-facing-closure>

³The Early Years Alliance (2020) Quarter of childcare providers fear closure within the year

<https://www.eyalliance.org.uk/news/2020/05/quarter-childcare-providers-fear-closure-within-year>

⁴The Guardian (2020) Childcare industry crushed by Coronavirus crisis

<https://www.theguardian.com/education/2020/apr/24/childcare-industry-crushed-by-coronavirus-crisis>

their work and childcare responsibilities. Union reps have a unique workplace insight and experience of the common issues that working parents face. Unions campaign for improvements to the rights of working parents, based on what our 5.5 million members tell us. www.tuc.org.uk

1. The effect of provider closure on the early years sector

- 1.1 Lockdown and social distancing measures have had a severe impact on childcare providers. 69% anticipate running at a loss⁵ for at least the rest of the year - financially unsustainable in a sector that has struggled with low levels of investment for years. As many as 25% of childcare providers believe they will close within a year.⁶ The Sutton Trust has shown that this rises to 1 in 3 closures in poorer areas⁷. It is estimated that 150,000 childcare places will be lost in England alone⁸.
- 1.2 Providers' financial difficulties have been exacerbated by the significant confusion over the financial support available to them during lockdown. According to research by the Early Years Alliance, 75% of childcare providers believed that they would have access to the CJRS based on initial guidance (24 March) and be able to furlough their staff. By the time the Department of Education had clarified its guidance (17 April) 71% had already furloughed staff.
- 1.3 Funding for free early education entitlements has continued throughout lockdown, but for many settings the funding offered does not cover ongoing running costs. Schools have been able to access some government funding to help meet the additional costs of operating safely during this outbreak (e.g. increased cleaning costs, new equipment and personal protective equipment (PPE) for staff and higher staff to children ratios) but this has not been available to childcare providers - who also need to cover these increased costs.
- 1.4 Recent research has shown a growing number of childcare providers are planning to withdraw the 30 free hours entitlement, capping families access at only 15 free hours.⁹ This move is attributed to the significant underfunding of those hours putting pressure on providers financial viability. The withdrawal of the 30 free hours will put households under increased financial pressure as they will need to pay for more hours of care to continue to work.
- 1.5 Those childcare providers who do continue to operate are accruing debts. Business loans will require repayments. For childcare providers, the only route to recoup this money is either further reducing childcare workers' salaries, or increasing the fees that parents pay for their children's care. Neither of these routes are likely to increase the accessibility, affordability, or quality of childcare.
- 1.6 We recommend the government creates a new Childcare Infrastructure Fund (CIF)¹⁰ through repurposing and building on existing government support schemes. This would present a significant, temporary improvement on the existing funding model for childcare to improve the financial viability of providers. This would effectively replace

⁵The Early Years Alliance (2020) Parents set to face childcare 'chaos' as new data shows huge scale of financial losses facing early years sector <https://www.eyalliance.org.uk/parents-set-face-childcare-'chaos'-new-data-shows-huge-scale-financial-losses-facing-early-years>

⁶The Early Years Alliance (2020) Quarter of childcare providers fear closure within the year <https://www.eyalliance.org.uk/news/2020/05/quarter-childcare-providers-fear-closure-within-year>

⁷The Sutton Trust (2020) Coronavirus Impact on Early Years Care <https://www.suttontrust.com/our-research/coronavirus-impacts-early-years/>

⁸The Guardian (2020) Childcare industry crushed by Coronavirus crisis <https://www.theguardian.com/education/2020/apr/24/childcare-industry-crushed-by-coronavirus-crisis>

⁹ <https://www.dailymail.co.uk/news/article-8541891/Nurseries-no-longer-afford-offer-30-hours-free-childcare-working-parents.html>

¹⁰NEF (2020) A Childcare Infrastructure https://neweconomics.org/uploads/files/Childcare-Infrastructure-Fund_NEF.pdf

the free' early education entitlement with a larger direct payment enabling all Ofsted-registered providers (including those who currently rely heavily on parental income) to retain staff, meet essential overheads and deliver high quality childcare where it is most needed. The CIF will ensure that children's places are protected, regardless of household income, that childcare workers are not made redundant and there is continuity of care during the phased reopening of the sector when social distancing measures are eased.

2. The financial implications of closures for providers, pupils and families

- 2.1 Over 360,000 people work in registered childcare provision.¹¹ The childcare sector is a predominantly female workforce¹². Previous research by Nursery World found that half of all childcare workers already earn poverty wages¹³. 40% of workers rely on state benefits or tax credits to make ends meet¹⁴.
- 2.2 It is unclear how many childcare providers have topped up furlough payments to ensure staff remain on 100% of salary. A 20% cut to wages could see many childcare workers face severe financial difficulties.
- 2.3 We recommend the government better supports childcare professionals (and therefore the wider sector), raising the quality of provision by requiring childcare providers to be real living wage employers to access public funding. Providers' ability to meet this is currently limited to some extent by insufficient government funding for free early education entitlement places – and is another reason the current funding model should be reformed. It should also support new rights to make it easier for childcare workers to negotiate collectively with their employer. Ultimately, we believe all childcare professionals should have training and salaries comparable to primary school staff.
- 2.4 High quality early education and childcare boosts children's outcomes. However, the precarious nature of the childcare sector means that families are unsure whether they will be able to access childcare as we emerge from lockdown, including using their free early education entitlement. Research carried out by Pregnant Then Screwed in July found that 33% of employed mums have lost a childcare space since March, rising to 48% for self-employed mothers.¹⁵ Children who miss out could experience a long-term impact on their learning and development.
- 2.5 Workers cannot return to their jobs without sufficient childcare in place. This is recognised by employers. In early July business representatives of employers including the British Chamber of Commerce, the Chartered Management Institute, the Institute of Directors and the Federation of Small Businesses co-signed a letter to the Chancellor of the Exchequer calling for him to take action on childcare. They state, *'in the absence of sufficient childcare, many employers will face the invidious choice between supporting parents who work for them, and the viability of their businesses'*.¹⁶

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/845080/SCEYP_2019_Main_Report_Nov19.pdf

¹²Low Pay Commission (2018) National Minimum Wage

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/661195/Low_Pay_Commission_2017_report.pdf

¹³Nursery World (2019) Working Poverty, Childcare Practitioners - Childcare's dirty secret

<https://www.nurseryworld.co.uk/news/article/exclusive-working-poverty-childcare-practitioners-childcare-s-dirty-secret>

¹⁴Bonetti, S, (2019), *The early years workforce in England*, Education Policy Institute https://epi.org.uk/wp-content/uploads/2019/01/The-early-years-workforce-in-England_EPI.pdf

¹⁵ <https://pregnantthenscrewed.com/childcare-covid-and-career/>

¹⁶The Fawcett Society (2020) Letter to the Chancellor - childcare

- 2.6 Pregnant Then Screwed's July research found that 81% of mothers require formal childcare to go to work, yet only half had childcare provision in place. More recently, research by the TUC has shown that more than a third (35%) of mums cannot get places at afterschool clubs and 28% do not have their usual nursery or childminder available.
- 2.7 In addition to creating a CIF (1.6) we recommend the government acts to protect families' incomes by extending the CJRS beyond October for parents who cannot work their usual hours because they cannot access the childcare they need. This should remain in place until childcare settings and schools are fully reopened.
- 2.8 Accessible and effective childcare is essential for enabling parents to work. It plays a critical role in addressing inequality across educational, gender, race and class lines by addressing blocks to employment. Fundamentally, it enables millions of parents and carers to go to work and contribute to the UK's economy. 52% of non-working mothers said that if they could arrange good quality childcare which was convenient, reliable and affordable, they would prefer to go out to work.¹⁷
- 2.9 The UK currently has the highest childcare costs in Europe, and the second highest in the world¹⁸, meaning that formal childcare services are expensive or unaffordable for many households. Fees have risen three times faster than wages since 2008¹⁹ and 27% of parents found it difficult or very difficult to meet their childcare costs last year²⁰ with 61.7% of returning mothers working fewer hours, changing jobs or giving up their jobs due to the cost of childcare²¹. Whilst we welcome the government's attempts to introduce initiatives to support families, such as tax-free childcare, the lack of take-up of such initiatives reflects the complexity of the childcare system and its failure to support low income families. For example, in March 2020, 218,000 families were using tax free childcare²² when it was initially estimated that 2.3 million families would be eligible²³.
- 2.10 We recommend the government invests in creating a simple and efficient system of universal free high quality, accessible childcare ensuring parents and carers are better off working²⁴. This will enable genuine choice about work and training, supporting working parents and carers and the wider economy. This would be a cross-government approach with childcare support embedded within the UK's employment and industrial strategies.

3. The effect on disadvantaged groups

<https://www.fawcettsociety.org.uk/Handlers/Download.ashx?IDMF=bb1c2fbc-2e86-4432-ad68-04519886224b>

¹⁷Gingerbread (2020) Childcare <https://www.gingerbread.org.uk/policy-campaigns/childcare/>

¹⁸ (WBG (2020) A Care-led Recovery from Coronavirus <https://wbg.org.uk/wp-content/uploads/2020/06/Care-led-recovery-final.pdf/>

¹⁹TUC (2018) Childcare costs rocket three times faster than wages since 2008

<https://www.tuc.org.uk/blogs/childcare-costs-rocket-three-times-faster-wages-2008>

²⁰https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853358/CEYSP_2019_Report.pdf

²¹ <https://pregnantthenscrewed.com/research-and-insights/>

²²HM Revenue and Customs (2020) Tax Free Childcare Statistics

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/886094/Tax-Free_Childcare_Statistics_Commentary_March_2020.pdf

²³HM Revenue and Customs (2017) Childcare Payments Act 2014 - Equality Impact Assessment

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/652939/Tax-free_childcare_Impact_Assessment-March_2017.pdf

²⁴ Research carried out by Pregnant Then Screwed during the pandemic found of those that return to work, only just break even or make a financial loss due to the cost of childcare

<https://pregnantthenscrewed.com/research-and-insights/>

- 3.1 Evidence suggests that children from disadvantaged backgrounds have the most to gain from high quality early education and childcare, with positive effects in education, cognitive, behavioural and social outcomes. It helps close the gap between disadvantaged children and their peers that opens before children even start school, putting them up to 11 months behind according to the Sutton Trust. Children who miss out could experience a long-term impact on their learning and development.
- 3.2 Despite these clear benefits, low income families continue to face significant obstacles to accessing childcare, and these could increase if, as research has shown is likely to be the case, there are significant childcare closures in deprived areas. This will have an enduring impact on inequality²⁵, both for children and their parents.
- 3.3 Families can receive support with childcare costs through Universal Credit (UC) which covers up to 85% of childcare costs. However, there are two key problems with UC and childcare costs that could prevent parents from maintaining or moving into work.
- 3.4 Firstly, for some families the cost of childcare will exceed the support that is available. In 8% of local authorities, the maximum limit per child under UC of £175 per week does not cover even a part-time place in childcare for a child under two. This rises to 96 per cent for a full-time place. If a family's childcare costs exceed these maximum limits, they will not receive any additional financial support for these childcare costs. This can mean that they are paying more in childcare costs than they are earning, and so are worse off financially for working more hours. This leaves parents on low to middle incomes with little incentive to work more than part time.
- 3.5 Secondly, payments are made in arrears whereas most childcare providers will ask for payments upfront. For a parent wanting to move into work, this large upfront bill before they have received their first pay cheque or support through UC acts as an insurmountable barrier. It also causes significant problems for families who have fluctuating childcare costs, most commonly for families with school age children whose childcare costs more than double during school holidays. Families will have to pay these high costs during the holidays, but not receive any additional support until the following month.
- 3.6 We recommend the government urgently reforms the way support for childcare works in Universal Credit by increasing the maximum amount of childcare costs paid and moving to upfront payments for childcare, enabling claimants to work. The two-child limit, which arbitrarily and regressively restricts payments, disproportionately and negatively impacting working families²⁶ and resulting in an elevated poverty risks²⁷, should be scrapped.
- 3.7 Finding the right childcare for a disabled child consistently emerges as a huge challenge for parents who work or wish to work. 86% of the parents in Working Families' 2018 Off Balance study said it is difficult or impossible to find suitable childcare. Even if it can be found, 82% say it is difficult or impossible to find suitable provision that is affordable. This represents a huge, systemic barrier to parents of disabled children entering and staying in paid work, likely to have been hugely exacerbated by the current pandemic and increasing the risk that families with a disabled child will move into poverty.
- 3.8 Women carry the burden of unpaid care for dependents within a household or family. Research from Working Families found that more than half of working mothers in

²⁵NEF (2020) Childcare Infrastructure https://neweconomics.org/uploads/files/Childcare-Infrastructure-Fund_NEF.pdf

²⁶ Child Poverty Action Group (2020) No-one Knows What the Future Can Hold <https://cpag.org.uk/policy-and-campaigns/report/no-one-knows-what-future-can-hold>

²⁷ Child Poverty Action Group (2019) Two-Child Limit Will Tip 300,000 More Children into Poverty <https://cpag.org.uk/news-blogs/news-listings/two-child-limit-will-tip-300000-more-children-poverty-%E2%80%93-new-research-policy>

couple households have altered their hours during the pandemic to accommodate caring, compared to a third of working fathers.

- 3.9 In July, Pregnant Then Screwed surveyed almost 20,000 pregnant women and working mothers on the impact of childcare closures. 46% being made redundant said that lack of childcare was a factor in their selection for redundancy²⁸. 72% have worked fewer hours and cut their earnings due to lack of childcare.
- 3.10 Inability to access affordable, available childcare during the current pandemic will have a huge negative impact in terms of numbers of women in the workforce and the gender pay gap, which is estimated to cost the UK economy up to £123 billion in lost output.²⁹, with associated costs to the economy.
- 3.11 Without urgent reform of the UK's childcare infrastructure (1.6, 2.10) working families will lose vital income, decades of incremental improvements in gender equality at work will be reversed, and the gender pay gap will widen.
- 3.12 In addition, we recommend the government to urgently review the UK's parental leave and pay system to ensure it promotes gender equality for all workers and help equalise caregiving between parents in the early years. By ensuring that each parent has a designated 'use it or lose it' portion, eligibility floors are decreased while rates of pay are increased.
- 3.13 Furthermore, we recommend the government acts to engender more widespread, embedded and gender-equal flexible working. Many parents taking part in Working Families' Modern Families Index have said, effectively, that flexibility 'isn't allowed' in their workplace. More recently, Pregnant Then Screwed have found that 25% of mothers who found it challenging to balance paid work and unpaid childcare said their employers have not shown them any flexibility. The government should act on previous commitments to make flexible work the default, bedding in the positive changes that parents are already experiencing to the way they work during COVID-19 and widening access to quality, part-time and flexible jobs, not least for UC claimants.
- 3.14 We recommend the government put an end to 'pay-as-you-go' contracts that make it almost impossible for parents and carers (particularly women and BAME workers, overrepresented in these forms of work) to plan childcare and manage household budgets, helping ensure the benefits of genuinely flexible working are felt evenly amongst parents.
- 3.15 Finally, we recommend the government ensures that Equality Impact Assessments are carried out at every stage of the pandemic. These should consider how care interacts with protected characteristics must be undertaken and published in all Government departments to monitor and take action to avoid unequal impact.

4. What contingency planning can be done to ensure the resilience of the sector in case of any future national emergency?

- 4.1 The Irish and Australian governments have both created temporary interventions to underwrite childcare fees to protect the sector. As part of a wider stimulus package in Germany, families will receive €300 payment per child, more for single parent families, and an additional €1 billion in funding is being provided for measures (to be carried out in 2020 and 2021) to increase the capacity of kindergartens, childcare centres and crèches, to expand and renovate existing facilities, and to build new facilities.
- 4.2 The German government has recognised the impact of school and childcare setting closures on working parents and the childcare sector. For working parents who are

²⁸ <https://pregnantthenscrewed.com/childcare-covid-and-career/>

²⁹HR News (2018) The Economic Cost of Discrimination to the UK Economy: £127 billion a year <http://hrnews.co.uk/the-economic-cost-of-discrimination-to-the-uk-economy-127-billion-a-year/>

unable to fulfil their working duties due to the closure of kindergarten, day care centres and/or schools because of the pandemic, the German parliament has passed a new law in a fast-track procedure. The essential aspect of this legislative change is that under certain conditions, affected parents are granted a state-funded compensation claim for loss of pay and income because of having dependents that require full-time care.

- 4.3 In Canada, interventions have come via provincial governments.³⁰ Each intervention has ensured that key workers are able to access the childcare they need whilst they work through the crisis, that non-key worker families have not had to continue to pay fees whilst nurseries are closed to them, and that mass redundancies of childcare workers are avoided.
- 4.4 The government should build on the lessons from national responses and ensure that local authorities are appropriately equipped to support childcare services in addition to providing national reform to prevent the collapse of the sector (1.6).
- 4.5 Affordable childcare must be treated as critical infrastructure that underpins successful national and regional employment and industrial strategies on an ongoing basis. Pregnant Then Screwed found that 67% of keyworkers who were mothers worked reduced hours during the pandemic due to lack of childcare, thus impacting the capacity of our frontline services at a time of national crisis. We are calling for the creation of a simple and efficient system of universal free high quality, accessible childcare (2.10).
- 4.6 Investment in childcare is cost-effective because of its impacts on job creation, allowing all parents and carers equal opportunity to enter the labour market. Research for the UK Women's Budget has found the majority of the initial investment in childcare will be recouped through tax revenue and social security savings³¹.

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³⁰Childcare Canada (2020) Childcare and Covid-19 in Canada

<https://www.childcarecanada.org/resources/issue-files/child-care-and-covid-19-canada/table-status-child-care-canada-and-covid-crisis>

³¹ (Headcount employment at current wages. Jerome De Henau and Susan Himmelweit - WBG members (2020) Stimulating OECD economies post-Covid by investing in care

http://www.open.ac.uk/ikd/sites/www.open.ac.uk.ikd/files/files/working-papers/COVID%20care-led%20recovery_IKD_WP85_2020_06_12%20%28003%29.pdf/